

INCENTIVES UNDER THE T-NEX CONTRACTS

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OVERVIEW

- ◆ **Customer Satisfaction**
- ◆ **Administrative Performance**
- ◆ **Healthcare Cost**
 - **Non-MTF Enrollees**
 - **MTF Enrollees**

CUSTOMER SATISFACTION

◆ Award Fee

– Based on survey of:

- Beneficiaries
- Regional Directors & MTF Commanders
- Providers

◆ Maximum of 10% of Administrative Price

ADMINISTRATIVE PERFORMANCE

- ◆ **Factors Include:**

- **Phone response standards**
- **Claims processing standards**

- ◆ **Minimum of 3% of Administrative Price**

HEALTHCARE COST

- ◆ **Contractor & Government Will Share Risk for Healthcare Cost**
 - Govt 80% Ctr 20%
 - Excludes Medicare-eligibles

- ◆ **Based on Target Price**
 - Bid in First Year
 - Negotiated in Following Years

EXAMPLE

- ◆ **Business Deal**
 - Contract to build a house----\$1M
- ◆ **Option 1**
 - Actual cost \$900K pay \$1M
 - Profit \$100K
- ◆ **Option 2**
 - Negotiate with contractor to drive down cost
 - \$750K agree to pay \$900K
 - Profit \$150
- ◆ **Which deal would you rather do?**
- ◆ **It can pay to get paid less in some instances because both sides are motivated to keep cost down**
 - Gain sharing

CONTRACTOR INCENTIVES

- ◆ **Control All Purchased Care Cost**
- ◆ **Discounts**
- ◆ **Management of Prime Care**
- ◆ **MTF Optimization**
 - **Regardless of enrollment**
 - **No penalty for increased MTF workload**

MTF INCENTIVES (MTF ENROLLEE CARE)

- ◆ **MTF Controls Funds for Purchased Care for MTF Enrollees**
- ◆ **Savings Available To MTF**
- ◆ **Care Must Be Provided in the MTF at Lower Cost than Purchased Care Cost**

MTF INCENTIVES (NON-MTF ENROLLEE CARE)

- ◆ **Reduces Payment to Contractor**
- ◆ **Lower Contract Cost Frees Up Funds Available to Direct Care System**

CAVEAT!!!!

- ◆ **FY04 DOD Appropriation Bill Language**
- ◆ **Restricts Reprogramming of Funds Between Direct Care and Purchased Care Sub-appropriations**
- ◆ **Major Impacts If Not Changed – Stay Tuned!**

MTF STRATEGY

- ◆ **Provide the Most Care, the Highest Quality Care, at the Lowest Cost at the MTF**
- ◆ **Plan on Purchasing Care that Cannot be Provided Cost Effectively**